

**THE GENERAL RETIREMENT SYSTEM FOR
EMPLOYEES OF JEFFERSON COUNTY, ALABAMA**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

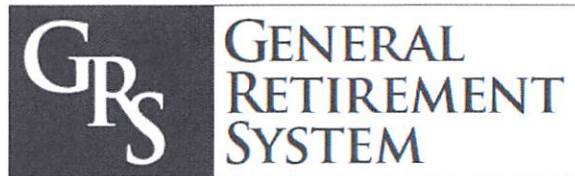
SEPTEMBER 30, 2021 and 2020

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PENSION BOARD MEMBERS

Robert Field, Chairman
Robert Nolen, Jr.
Connie Harris
Billy Morace, Jr.
Travis Hulsey



EXECUTIVE DIRECTOR
Amy Blomeley

MANAGEMENT'S DISCUSSION AND ANALYSIS

The General Retirement System for Employees of Jefferson County is a governmental employee defined benefit retirement system established by Act 497, 1965 Regular Session of the Alabama Legislature. The Plan is governed by a five-member Pension Board which provides retirement, disability, death and survivor benefits for its members. Management's discussion and analysis of the financial performance of the Plan provides an overview and analysis of financial activities for the fiscal year ended September 30, 2021.

The General Retirement System's fundamental financial objective is to meet long-term benefit obligations through employer and employee contributions and investment income.

Financial Highlights

Net position held in trust by The General Retirement System, as reported on the *Statements of Fiduciary Net Position*, totaled \$1,445,055,458 as of September 30, 2021, the end of the plan fiscal year. During the fiscal year, net position increased \$202,458,564, or 16.29%, reflecting economic and market conditions.

The *Statements of Changes in Fiduciary Net Position* reflects an increase of \$278 million in additions to fiduciary net position. Of this amount, \$16.7 million represents member and employer contributions, \$608 thousand in other income, and \$260.8 million represents Investment Income less investment manager fees. Government Securities depreciated in value \$5.5 million for the fiscal year ending September 30, 2021, compared to appreciation in value of \$7.8 million for the fiscal year ending September 30, 2020. Mutual funds appreciated \$13.2 million for the fiscal year ending September 30, 2021, compared to appreciation of \$3.9 million for the fiscal year ending September 30, 2020. Corporate bonds appreciated \$372 thousand for the fiscal year ending September 30, 2021 compared to appreciation of \$4.2 million for 2020. Common stocks appreciated \$180.5 million for the fiscal year ending September 30, 2021, compared to appreciation in value of \$35.2 million for the fiscal year ending September 30, 2020. Foreign bonds depreciated \$1.6 million for the fiscal year ending September 30, 2021, compared to appreciation of \$3.3 million for the fiscal year ending September 30, 2020. Municipal bonds depreciated \$133 thousand for the fiscal year ending September 30, 2021, compared to appreciation of \$97 thousand for the fiscal year ending September 30, 2020. Other investments appreciated \$59.6 million for the fiscal year ending September 30, 2021, compared to appreciation of \$14.7 million for the fiscal year ending September 30, 2020. Participant expenses increased \$306 thousand which is attributed to an increase in the number of retired members and active members separating employment and electing to withdraw their pension contributions.

The General Retirement System's actuary has indicated that the System is in sound financial condition based on the results of the actuarial valuation ending October 1, 2021, which was conducted in accordance with actuarial principles. The rate of return on investments of 21.48% on a market value basis increased compared to last year's return of 7.15%.

Overview of the Financial Statements

This Comprehensive Annual Financial Report includes the basic financial statements, accompanying notes, required supplementary information and supporting schedules. The *Statements of Fiduciary Net Position* provides a snapshot of account balances at the end of the fiscal year. This statement reports the assets available for future payments to County retirees and any current liabilities that are owed at the end of the year. These assets, less liabilities, represent the amount of funds that are available for future payments. The *Statements of Changes in Fiduciary Net Position* reports additions and deductions during the current year.

These statements provide standards regarding required disclosures and the full accrual method of accounting in compliance with the Governmental Accounting Standards Board. The General Retirement System complies with all material requirements of the pronouncements.

The financial statements report the resources available to pay benefits to retirees and other beneficiaries as of the end of fiscal year. Plan investments are reported at their fair market value as of the end of the fiscal year. Liabilities for benefits and refunds are recognized when due and payable according to the terms of the Plan. Revenue is reported in the financial statements when earned and expenses are reported when incurred regardless of when cash is received or paid. Investment gains and losses are reported on a trade-date basis and both realized and unrealized gains and losses on investments are presented. The notes to the financial statements are an integral part of the report. The notes communicate information that is essential for fair presentation of the financial statements that is not displayed on the face of the financial statements. Supplementary information and supporting schedules serve to further enhance understanding of the overall financial picture.

This financial report is designed to provide the Pension Board and its members, Jefferson County Commission, System investment managers, and actuary, with an overview of The General Retirement System for Employees of Jefferson County's finances and to demonstrate the System's accountability for the fund under the Pension Board.

Robert Field
Chairman

A handwritten signature in black ink, appearing to be 'R. Field', is written over a horizontal line.



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INDEPENDENT AUDITOR'S REPORT

Pension Board
The General Retirement System for
Employees of Jefferson County, Alabama
Birmingham, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of The General Retirement System for Employees of Jefferson County, Alabama, which comprise the statements of fiduciary net position as of September 30, 2021 and 2020, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

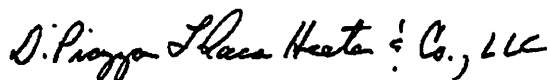
In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of The General Retirement System for Employees of Jefferson County, Alabama, as of September 30, 2021 and 2020, and the changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 1-2, and the supplementary schedules of changes in the net pension liability and related ratios and employer contributions, on pages 20-21 be presented to supplement the financial statements. Such information, although not a required part of the financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of reserve for contingent refunds and reserve for retirement and disability benefits on pages 22-23 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



DiPiazza LaRocca Heeter & Co., LLC
Birmingham, Alabama

February 12, 2022

**THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA**
Statements of Fiduciary Net Position
September 30, 2021 and 2020

ASSETS	2021	2020
CASH AND SHORT-TERM INVESTMENTS	\$ 11,653,559	\$ 38,987,176
INVESTMENTS, AT FAIR VALUE		
United States government securities	157,997,546	127,355,945
Mutual funds and trusts	74,684,487	61,246,579
Corporate bonds	116,870,478	131,624,021
Common stocks	622,784,132	492,935,208
Foreign stocks	49,658,349	36,927,646
Foreign bonds	82,352,016	88,580,172
Municipal bonds	8,893,423	9,439,451
Partnerships	324,083,402	268,034,457
Other investments	60,000	330,000
Total investments	1,437,383,833	1,216,473,479
RECEIVABLES		
Interest and dividends	2,368,358	2,462,632
Employee contributions	331,087	661,254
Employer contributions	331,087	661,254
Recapture of commission fees	380	1,021
Pistol permit revenue receivable	162,373	109,364
Total receivables	3,193,285	3,895,525
Total assets	1,452,230,677	1,259,356,180
LIABILITIES		
Accounts payable	1,028,253	722,371
Due to brokers	6,146,966	16,036,915
Total liabilities	7,175,219	16,759,286
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 1,445,055,458</u>	<u>\$ 1,242,596,894</u>
NET POSITION		
Reserve for contingent refunds	\$ 91,909,805	\$ 93,727,173
Reserve for retirement and disability benefits	1,353,145,653	1,148,869,721
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 1,445,055,458</u>	<u>\$ 1,242,596,894</u>

See accompanying independent auditor's report and notes to financial statements.

**THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA
Statements of Changes in Fiduciary Net Position
For the Years Ended September 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
ADDITIONS TO NET POSITION ATTRIBUTED TO:		
Investment income:		
Net appreciation (depreciation) in government securities	\$ (5,476,379)	\$ 7,796,842
Net appreciation (depreciation) in mutual funds and trusts	13,208,825	3,912,453
Net appreciation (depreciation) in corporate bonds	372,726	4,181,583
Net appreciation (depreciation) in common stocks	180,499,405	35,157,747
Net appreciation (depreciation) in foreign bonds	(1,610,512)	3,277,966
Net appreciation (depreciation) in other investments	59,598,127	14,690,489
Net appreciation (depreciation) in municipal bonds	(133,486)	96,818
Interest	8,366,352	10,599,272
Dividends	10,542,912	10,270,344
	<u>265,367,970</u>	<u>89,983,514</u>
Less investment manager fees	<u>4,565,685</u>	<u>4,888,086</u>
Total investment income	260,802,285	85,095,428
Contributions:		
Members	8,355,409	9,176,957
Employer	<u>8,401,155</u>	<u>9,179,897</u>
Total contributions	16,756,564	18,356,854
Other:		
Pistol permits	<u>608,625</u>	<u>712,049</u>
Total other	<u>608,625</u>	<u>712,049</u>
Total additions	\$ 278,167,474	\$ 104,164,331

See accompanying independent auditor's report and notes to financial statements.

**THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA
Statements of Changes in Fiduciary Net Position - Continued
For the Years Ended September 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
DEDUCTIONS FROM NET POSITION ATTRIBUTED TO:		
Participant expenses:		
Benefits paid to participants and beneficiaries	\$ 72,106,887	\$ 71,905,484
Refunds of member contributions	1,130,472	1,252,895
Direct rollovers of employee contributions	318,097	108,989
Interest paid on refunds of member contributions	<u>48,445</u>	<u>30,163</u>
Total participant expenses	73,603,901	73,297,531
Administrative expenses:		
Office expenses	1,162,719	970,962
Legal and consulting fees	361,090	398,305
Fiduciary bond	373,834	251,982
Other expenses	<u>96,066</u>	<u>104,816</u>
Total administrative expenses	1,993,709	1,726,065
Transfer to 415(m) plan	<u>111,300</u>	<u>281,000</u>
Total deductions	<u>75,708,910</u>	<u>75,304,596</u>
CHANGE IN NET POSITION	202,458,564	28,859,735
NET POSITION HELD IN TRUST FOR PENSION BENEFITS		
Beginning of year	<u>1,242,596,894</u>	<u>1,213,737,159</u>
End of year	<u>\$ 1,445,055,458</u>	<u>\$ 1,242,596,894</u>

See accompanying independent auditor's report and notes to financial statements.

**THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA**
Notes to Financial Statements
September 30, 2021 and 2020

NOTE 1 – DESCRIPTION OF THE PLAN

The following description of The General Retirement System for Employees of Jefferson County, Alabama (the Plan) provides only general information. Participants should refer to Act No. 2013-415 for a more complete description of the Plan's provisions.

General

The Plan is a defined benefit plan covering substantially all civil service employees of Jefferson County, Alabama (the County). The Plan was established by Act No. 497 of the Regular Session of the Alabama legislature effective August 20, 1965, and as amended provides benefits to retired and disabled employees of the County.

The responsibility for making effective the provisions of Act 497 is vested in the Pension Board which consists of five members. Member Number One serves as the Chairman and is appointed by the Jefferson County Commission and shall have had more than ten years' experience in an executive capacity in insurance or actuarial work. Member Number Two is appointed by the Jefferson County Judge of Probate and shall have had at least ten years' experience in an executive capacity in investing or banking. Member Number Three is appointed by the Jefferson County Personnel Board. Member Number Four and Member Number Five are elected by the active members of the Retirement System. Each members' term of office is for three years.

Plan membership is mandatory for all classified full-time Jefferson County civil service employees upon commencement of employment. Employees whose employment is not subject to the Civil service system or those who are officers may elect to join. At September 30, 2021 and 2020, membership in the Plan consisted of the following:

	2021	2020
Current active members	2,502	2,556
Retirees and beneficiaries currently receiving benefits	2,469	2,467
Terminated employees electing deferred benefits	229	186

Plan benefits are determined by various criteria including, but not limited to, age, years of service and basic average salary. Basic average salary is defined as the average salary for the highest consecutive 36-month period of employment, excluding overtime and longevity pay. Benefits are limited to a maximum of 75 percent of a member's basic average salary and vest after 10 years of paid service. Benefits are received in monthly payments over the remaining life of the member. Vested members, upon termination, for reasons other than retirement, death or disability, may elect to forego monthly benefit payments and receive a one-time payment of their retirement contributions and related interest. Benefits may be received under the following conditions:

**THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA**
Notes to Financial Statements
September 30, 2021 and 2020

NOTE 1 – DESCRIPTION OF THE PLAN – Continued

General (Continued)

Normal Retirement – A member may retire upon reaching age 55 with a total of 30 years of service of which at least 20 years are paid membership time with the County, or the member may retire regardless of age after completing 30 years of paid membership time with the County. Otherwise, the member must have attained age 60 with a minimum of 10 years of paid service.

Early Retirement – Any member who has completed 30 years of service, including 10 years of paid membership service, may elect to receive a Regular Early Retirement Benefit reduced by a percentage according to the member's age on the birthday preceding retirement. Any member who has completed 25 years of paid membership service may elect to receive a 25-Year Early Retirement Benefit reduced by 7% for each year less than 30 years of paid membership.

Investment policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board by a majority vote of its members. It is the policy of the Pension Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of August 25, 2016.

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	50%
International equity	10
Domestic fixed income	25
International fixed income	5
Alternative	10
Total	<u>100%</u>

The following table represents the net pension liability as of September 30, 2021 (\$ thousands):

Total Pension Liability	\$ 1,169,179
Fiduciary Net Position	<u>1,445,055</u>
Net Pension Liability (Asset)	\$ (275,876)

Ratio of Fiduciary Net Position to Total Pension Liability: 123.60%

Investment rate of return: 6.50 percent, net of pension plan investment expense,
including inflation

**THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA**
Notes to Financial Statements
September 30, 2021 and 2020

NOTE 1 – DESCRIPTION OF THE PLAN – Continued

Investment Policy (Continued)

The total pension liability was determined by an actuarial valuation as of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary Increases	4.25 – 6.75 percent, including inflation

Mortality rates are based on the Pub-2010 Headcount-weighted Mortality Table for General Employees Below Median and projected generationally with scale MP-2018, adjusted 105% for males and 110% for females for the period after service retirement and for dependent beneficiaries. The Pub-2010 Mortality Table for Non-Safety Disabled Retirees projected generationally with projection scale MP-2018, adjusted by 105% for males and 110% for females was used for the period after disability retirement.

The actuarial assumptions used in the September 30, 2021 valuation were based on the results of an actuarial experience study for the period of October 1, 2013 – September 30, 2018. The discount rate of 6.5% was adopted by the Board on January 27, 2022.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which the best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
US Equity Large Cap	35%	8.4%
US Equity Small/Mid Cap	15%	8.4%
International Equity	10%	8.9%
Domestic Fixed	25%	4.0%
International Fixed	5%	3.8%
Hedge Funds of Funds	5%	5.8%
Real Estate	5%	6.8%
Total	<u>100.00%</u>	

**THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA**
Notes to Financial Statements
September 30, 2021 and 2020

NOTE 1 – DESCRIPTION OF THE PLAN – Continued

Investment Policy (Continued)

Discount rate. The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to measure the discount rate assumed that plan member and Employer contributions will be made at the current contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the net pension liability (asset) of the System, calculated using the discount rate of 6.50 percent, as well as what the System's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate (\$ thousands):

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Plan's net pension liability (asset)	\$ (148,227)	\$ (275,876)	\$ (383,986)

September 30, 2021 is the actuarial valuation date upon which the total pension liability (asset) is based. An expected total pension liability (TPL) is determined as of September 30, 2021 using standard roll forward techniques. The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year and then applies the expected investment rate of return for the year. The difference between the expected TPL and the actual TPL as of September 30, 2021 before reflecting any assumption changes is reflected as an experience gain or loss for the year. The difference between the actual TPL as of September 30, 2021 before and after reflecting assumption changes is reflected as an assumption change gain or loss for the year. The procedure was used to determine the total pension liability as of September 30, 2021, as shown in the following table (\$ thousands):

Total Pension Liability as of September 30, 2020	\$ 1,115,549
Entry Age Normal Cost for the year ended September 30, 2021	\$ 26,741
Actual Benefit Payments for the year ended September 30, 2021	\$ 73,604
Expected Actual Total Pension Liability as of September 30, 2021	\$ 1,141,501
Total Pension Liability as of September 30, 2021	\$ 1,140,451
Difference between Expected and Actual Experience (Gain)/Loss	\$ (1,050)
Total Pension Liability as of September 30, 2021 After Assumption Changes	\$ 1,169,179
Difference from Assumption Changes (Gain)/Loss	\$ 28,728

**THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA**
Notes to Financial Statements
September 30, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accounting and reporting policies of the Plan conform to accounting principles generally accepted in the United States of America (GAAP).

Change in Accounting Principle

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-13 *Fair Value Measurement (Topic 820); Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* as part of the FASB's disclosure framework project. This project's primary focus is the improvement of the effectiveness of fair value disclosures in the notes to the financial statements. Under ASU 2018-13, nonpublic entities are no longer required to complete a reconciliation of the opening balances to the closing balances of recurring Level 3 fair value measurements. Rather, such entities are required to separately disclose for these Level 3 fair value measurements only changes during the period attributable to (1) purchases and issues (each type separately) and (2) transfers into or out of Level 3 (each type separately, and the reasons for those transfers must also be disclosed). The effective date is for fiscal years beginning after December 15, 2019, and it is to be applied retrospectively. Accordingly, the Plan has adjusted the financial disclosures for the years ended December 31, 2021 and 2020.

New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02 *Leases (Topic 842)*. Prior to this standard, leases classified as operating leases recognized rental income or expense as payments were received and made. ASU 2016-02 requires that any entity that enters into a lease with some specified scope exemptions, must now recognize a lease asset and lease liability at the inception of the lease. Generally, the liability is amortized over the term of the lease using the effective interest method. The asset is generally depreciated on a straight-line basis over the life of the lease. Any lease with an expected term of 12 months or less is to be recognized as an operating lease and payments expensed or recorded as income when paid or received. Since the release of the standard, there have been various ASU's issued to address complications as well as deferring the effective date. These ASU's carved out caveats and exceptions which apply to certain industries, transaction types, etc. The standard is effective for reporting periods beginning after December 15, 2021. The Plan is evaluating the impact this will have on the 2022 financial statements.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA**
Notes to Financial Statements
September 30, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Investment Valuation and Income Recognition

Plan investments are stated at fair value. Quoted market prices are used for all investments. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Unrealized appreciation or depreciation is reflected in the financial statements, when applicable.

Investments in mutual funds and collective investment trust funds are valued at net asset value (NAV), the practical expedient of fair value as required by ASU 2015-07 *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value Per Share (or its Equivalent)*.

There were no investments in a single security at September 30, 2021 and 2020 that exceeded 5% of fiduciary net position.

Reclassifications

Certain reclassifications have been made in the previously reported financial statements to make prior year amounts comparable to those of the current year. Such reclassifications had no effect on previously reported fiduciary net position or changes in fiduciary net position.

Reserves for Contingent Refunds and Retirement and Disability Benefits

Contingent refunds represent all contributions made by members into the Plan until refunded or transferred to the reserve for retirement and disability benefits. Such transfers occur when benefit payments equal or exceed the amount of member contributions or when a terminated employee has not requested a refund of his personal contributions within five years of termination.

Fair Value Measurements

The Plan adopted Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, effective October 1, 2008. In accordance with ASC 820, fair value is defined as the price that the Plan would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. ASC 820 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels listed as follows:

**THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA**
Notes to Financial Statements
September 30, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fair Value Measurements - Continued

- Level 1 – quoted prices in active markets for identical investments
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Plan's own assumptions in determining the fair value of investments)

See note 4, Investments, for a summary of the inputs used as of September 30, 2021 in determining the fair value of the Plan's investments.

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which could negatively impact valuations of investments held at year end. Other financial impacts that could occur are uncertain at this time.

NOTE 3 – RELATED PARTY TRANSACTIONS

Certain Plan short-term investments are comprised of money market accounts managed by US Bank, the trustee as defined by the Plan; therefore, these transactions qualify as party-in-interest.

NOTE 4 – INVESTMENTS

The following table represents the fair value of investments by type at September 30, 2021:

United States government securities	\$	157,997,546
Mutual funds and trusts		74,684,487
Corporate bonds		116,870,478
Common stocks		622,784,132
Foreign stocks		49,658,349
Foreign bonds		82,352,016
Municipal bonds		8,893,423
Partnerships		324,083,402
Other investments		60,000
Total	\$	<u>1,437,383,833</u>

**THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA**
Notes to Financial Statements
September 30, 2021 and 2020

NOTE 4 – INVESTMENTS -- Continued

The following table represents the fair value of investments by type at September 30, 2020:

United States government securities	127,355,945
Mutual funds and trusts	61,246,579
Corporate bonds	131,624,021
Common stocks	492,935,208
Foreign stocks	36,927,646
Foreign bonds	88,580,172
Municipal bonds	9,439,451
Partnerships	268,034,457
Other investments	330,000
Total	\$ 1,216,473,479

The weighted average rate of return was 25.3% and 6.6% for the years ended September 30, 2021 and 2020, respectively.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the pension trust fund will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the plan, and are held by either: a) the counterparty or b) the counterparty's trust department or agent but not in the Plan's name.

The Plan's investments are held by the bank's trust department. The investments are in the bank's name as nominee and designated to the Plan. These investments are insured for \$10,000,000 per incident.

Interest Rate Risk

As of September 30, 2021, the Plan had the following investments and maturities:

	Investment Maturities (In Years)				
	Fair Value	Less than 1	1 – 5	6 – 10	More than 10
U.S. government securities	157,997,546	9,342,456	37,288,922	46,833,585	64,532,583
Corporate bonds	116,870,478	4,482,154	71,487,685	27,728,035	13,172,604
Foreign bonds	82,352,016	2,684,155	41,731,427	28,699,953	9,236,481
Municipal bonds	8,893,423	815,713	716,615	100,623	7,260,472
Total	\$ 366,113,463	\$ 17,324,478	\$ 151,224,649	\$ 103,362,196	\$ 94,202,140

**THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA**
Notes to Financial Statements
September 30, 2021 and 2020

NOTE 4 – INVESTMENTS – Continued

Interest Rate Risk – Continued

The Plan's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Interest rate risk is controlled through diversification of portfolio management styles.

Credit Risk

Approved fixed income securities are to be selected from among U.S. Government and Federal Agency obligations, obligations of foreign governments and agencies, and securities rated "BBB-" or better by one of the recognized bond rating services at the time of purchase. Asset-backed securities, mortgage-backed securities, and collateral mortgage obligations are to be rated "AAA" at the time of purchase.

Concentration of Credit Risk

The General Retirement System for Employees of Jefferson County, Alabama does not have investments in any one issuer which represent 5 percent or more of the total fair value of all investments.

The following is a summary of the inputs used as of September 30, 2021 in valuing the Plan's investments carried at fair value:

	September 30, 2021	Quoted Prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Net Asset Value (NAV)
United States government securities	\$ 157,997,546	\$ -	\$ 157,997,546	\$ -	\$ -
Mutual funds and trusts	74,684,487	-	-	-	74,684,487
Corporate bonds	116,870,478	-	116,870,478	-	-
Common stocks	622,784,132	622,784,132	-	-	-
Foreign stocks	49,658,349	49,658,349	-	-	-
Foreign bonds	82,352,016	-	82,352,016	-	-
Municipal bonds	8,893,423	-	8,893,423	-	-
Partnerships	324,083,402	-	115,479,580	-	208,603,822
Other investments	60,000	-	60,000	-	-
Total investments in the fair value hierarchy	\$ <u>1,437,383,833</u>	\$ <u>672,442,481</u>	\$ <u>481,653,043</u>	\$ <u>-</u>	\$ <u>283,288,309</u>

**THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA**
Notes to Financial Statements
September 30, 2021 and 2020

NOTE 4 – INVESTMENTS – Continued

Concentration of Credit Risk (Continued)

The following is a summary of the inputs used as of September 30, 2020 in valuing the Plan's investments carried at fair value:

	September 30, 2020	Quoted Prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Net Asset Value (NAV)
United States government securities	\$ 127,355,945	\$ -	\$ 127,355,945	\$ -	\$ -
Mutual funds and trusts	61,246,579	-	-	-	61,246,579
Corporate bonds	131,624,021	-	131,624,021	-	-
Common stocks	492,935,208	492,935,208	-	-	-
Foreign stocks	36,927,646	36,927,646	-	-	-
Foreign bonds	88,580,172	-	88,580,172	-	-
Municipal bonds	9,439,451	-	9,439,451	-	-
Partnerships	268,034,457	-	95,173,983	-	172,860,474
Other investments	330,000	-	330,000	-	-
Total investments in the fair value hierarchy	\$ <u>1,216,473,479</u>	\$ <u>529,862,854</u>	\$ <u>452,503,572</u>	\$ <u>-</u>	\$ <u>234,107,053</u>

The following is a summary of significant valuation techniques for assets and liabilities measured at fair value on a recurring basis:

Level 1 measurements

Common and foreign stocks: Comprised of actively traded, exchange-listed U.S. and international equity securities. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Plan can access.

Level 2 measurements

U.S. government securities: Comprise financial debt instruments backed by the U.S. government. For example, mortgage backed securities, treasury bills, and collateralized mortgage obligations. The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credits spreads.

**THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA**
Notes to Financial Statements
September 30, 2021 and 2020

NOTE 4 – INVESTMENTS – Continued

Concentration of Credit Risk (Continued)

Level 2 measurements – Continued

Fixed income securities:

Corporate bonds, including privately placed: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads. Also included are privately placed securities valued using a discounted cash flow model that is widely accepted in the financial services industry and uses market observable inputs and inputs derived principally from, or corroborated by, observable market data. The primary inputs to the discounted cash flow model include an interest rate yield curve, as well as published credit spreads for similar assets in markets that are not active that incorporate the credit quality and industry sector of the issuer.

Foreign bonds: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads.

Municipal bonds: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads.

Partnerships: Comprised of pools of international equity securities managed by an investment company, typically investing in mid and large-cap stocks. Valuation is based on unadjusted quoted prices for identical assets in active markets.

NOTE 5 – FAIR VALUE OF INVESTMENTS IN ENTITIES THAT USE NAV AS A PRACTICAL EXPEDIENT OF FAIR VALUE

The following table summarizes investments measured at fair value based on NAV per share.

Investment	Fair Value as of September 30,		Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
	2021	2020			
Mutual funds	\$ 14,201,916	\$ 11,439,663	n/a	daily	1 business day
Collective investment trust funds	\$ 60,482,571	\$ 49,806,916	n/a	daily	1 business day
Partnerships/joint ventures	\$ 208,603,822	\$ 172,860,474	n/a	daily	1 business day

**THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA
Notes to Financial Statements
September 30, 2021 and 2020**

**NOTE 5 – FAIR VALUE OF INVESTMENTS IN ENTITIES THAT USE NAV AS A
PRACTICAL EXPEDIENT OF FAIR VALUE – Continued**

The mutual funds are comprised of pools of money managed by an investment company that brings together money from many people and invests it in stocks, bonds or other assets. Valuation of these investments is at NAV which is calculated by dividing the “rate” level market value less management fees by the number of participation units in the fund. Investment returns are not guaranteed and participants transact at NAV.

These collective investment trust funds seek to provide long-term capital growth by investing in small-cap growth strategies and a diversified portfolio of international companies with sustainable above-average earnings growth, efficient capital allocation and attractive prices.

The collective investment trust funds include an international equity which use the MSCI ACW growth indexes and the Russell 2000 Growth index, respectively as benchmarks to achieve their investment objectives.

NAV is calculated as the value of assets of the investment class (class) less liabilities of the class with the result divided by the number of outstanding shares of the class. Valuation inputs include readily available market quotations, bid prices, last sales prices and third-party pricing services.

NOTE 6 – LEASES

During 2017, the Plan entered into a lease agreement with the Jefferson County Commission. The lease period began January 1, 2018 and ends December 31, 2038. The future minimum lease payments are as follows:

2022	44,425
2023	44,425
2024	46,091
2025	46,646
2026	46,646
Thereafter	<u>606,985</u>
Total	<u>\$ 835,218</u>

Rent expense for 2021 amounted to \$44,425 and is included in administrative expenses.

REQUIRED SUPPLEMENTARY INFORMATION

**THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA**
Schedule of Changes in the Net Pension Liability and Related Ratios
(\$ in Thousands)

	2021	2020	2019	2018	2017	2016	2015
Total pension liability							
Service cost	\$ 26,741	25,372	22,859	20,890	19,490	17,798	17,325
Interest	72,815	72,053	70,863	69,534	68,349	65,859	64,608
Benefit changes	-	2,756	-	-	-	-	-
Difference between expected and actual experience	(1,050)	(4,267)	(477)	(6,423)	(8,548)	12,504	(5,226)
Changes in assumptions	28,728	26,958	(6,178)	-	-	-	-
Benefit payments	(72,107)	(71,905)	(65,397)	(62,336)	(60,683)	(58,760)	(57,021)
Refunds of contributions	(1,497)	(1,392)	(1,448)	(852)	(844)	(902)	(985)
Net change in total pension liability	53,630	49,575	20,222	20,813	17,764	36,499	18,701
Total pension liability - beginning	1,115,549	1,065,974	1,045,752	1,024,939	1,007,175	970,676	951,975
Total pension liability - ending (a)	\$ 1,169,179	1,115,549	1,065,974	1,045,752	1,024,939	1,007,175	970,676
Plan net position							
Contributions - employer	\$ 8,401	9,180	8,710	8,340	7,627	7,393	6,732
Contributions - member	8,355	9,177	8,677	8,319	7,592	7,385	6,716
Contributions - other	609	712	671	415	441	584	439
Net investment income	260,802	85,095	31,930	124,985	120,056	97,411	(1,107)
Benefit payments	(72,107)	(71,905)	(65,397)	(62,336)	(60,683)	(58,760)	(57,021)
Administrative expense	(1,994)	(1,726)	(1,648)	(1,426)	(1,865)	(1,300)	(998)
Refunds of contributions	(1,497)	(1,392)	(1,448)	(852)	(844)	(902)	(985)
Other	(111)	(281)	(291)	(195)	(78)	(78)	(78)
Net change in plan net position	202,458	28,860	(18,796)	77,250	72,246	51,733	(46,302)
Plan net position - beginning	1,242,597	1,213,737	1,232,533	1,155,283	1,083,037	1,031,304	1,077,606
Plan net position - ending (b)	\$ 1,445,055	1,242,597	1,213,737	1,232,533	1,155,283	1,083,037	1,031,304
Net pension liability (asset) - ending (a) - (b)	\$ (275,876)	(127,048)	(147,763)	(186,781)	(130,344)	(75,862)	(60,628)
Ratio of plan net position to total pension liability	123.60%	111.39%	113.86%	117.86%	112.72%	107.53%	106.25%
Covered-employee payroll	\$ 140,017	153,000	145,167	139,000	127,117	123,217	112,200
Net pension liability as a percentage of covered-employee payroll	-197.03%	-83.04%	-101.79%	-134.37%	-102.54%	-61.57%	-54.04%

See accompanying independent auditor's report.

**THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA
Schedule of Employer Contributions
(\$ in Thousands)**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined employer contribution	\$ 8,401	9,180	8,710	8,340	\$ 7,627	\$ 7,393	\$ 6,732	\$ 6,587	\$ 6,851	\$ 7,744	\$ 8,923	\$ 9,297
Actual employer contributions	<u>8,401</u>	<u>9,180</u>	<u>8,710</u>	<u>8,340</u>	<u>7,627</u>	<u>7,393</u>	<u>6,732</u>	<u>6,587</u>	<u>6,851</u>	<u>7,744</u>	<u>8,923</u>	<u>9,297</u>
Annual contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered -employee payroll	\$ 140,017	153,000	145,167	139,000	\$ 127,117	\$ 123,217	\$ 112,200	\$ 109,783	\$ 114,183	\$ 129,067	\$ 148,717	\$ 154,950
Actual contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

Notes to Required Supplementary Information

Actuarial cost method	Entry age
Amortization method	Level percent, open
Asset valuation method	5-year smoothed market
Inflation	2.75 percent
Salary increase	4.25 - 6.75 percent
Investment rate of return	6.5 percent, net of pension plan investment expense, including inflation

Valuation Date - The actuarially determined contribution rates in the schedule of employer contributions are calculated as of September 30, one year prior to the end of the fiscal year in which contributions are reported.

Changes of assumptions - In 2019 and later, the expectation of retired life mortality was changed to the Pub-2010 Headcount-weighted Mortality Tables rather than the RP-2000 Mortality Table, which was used prior to 2019.

In 2019, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2019, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. The rate of 6.5% was adopted by the Board on January 27, 2022.

Changes of benefit terms - In December 2019 a one-time payment was provided to retirees according to the following schedule:

- Members retired between October 2, 2014 and October 1, 2019 - 20% of the Member's gross monthly benefit.
- Members retired between October 2, 2009 and October 1, 2014 - 40% of the Member's gross monthly benefit.
- Members retired between October 2, 2004 and October 1, 2009 - 60% of the Member's gross monthly benefit.
- Members retired on or before October 1, 2004 - 80% of the Member's gross monthly benefit.

See accompanying independent auditor's report.

SUPPLEMENTAL SCHEDULES

**THE GENERAL RETIREMENT SYSTEM FOR
EMPLOYEES OF JEFFERSON COUNTY, ALABAMA
SCHEDULES OF RESERVE FOR CONTINGENT REFUNDS
For the Years Ended September 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Additions:		
Member contributions	\$ 8,355,409	\$ 9,176,957
Deductions:		
Transfers to reserve for retirement and disability benefits	8,724,208	7,646,502
Refunds of member contributions	<u>1,448,569</u>	<u>1,361,884</u>
	<u>10,172,777</u>	<u>9,008,386</u>
Net increase (decrease)	(1,817,368)	168,571
Balance - beginning of year	<u>93,727,173</u>	<u>93,558,602</u>
Balance - end of year	<u>\$ 91,909,805</u>	<u>\$ 93,727,173</u>

See accompanying independent auditor's report.

**THE GENERAL RETIREMENT SYSTEM FOR
EMPLOYEES OF JEFFERSON COUNTY, ALABAMA
SCHEDULES OF RESERVE FOR RETIREMENT AND DISABILITY BENEFITS
For the Years Ended September 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Additions:		
Investment income	\$ 14,343,579	\$ 15,981,530
Net appreciation (depreciation) in fair value of investments	246,458,706	69,113,898
Employer contributions	8,401,155	9,179,897
Transfers from reserve for contingent refunds	8,724,208	7,646,502
Pistol permits	<u>608,625</u>	<u>712,049</u>
	278,536,273	102,633,876
Deductions:		
Benefits paid to participants and beneficiaries	72,106,887	71,905,484
Transfer to 415(m) plan	111,300	281,000
Interest paid on refunds of member contributions	48,445	30,163
Administrative expenses	<u>1,993,709</u>	<u>1,726,065</u>
	<u>74,260,341</u>	<u>73,942,712</u>
Net increase (decrease)	204,275,932	28,691,164
Balance - beginning of year	<u>1,148,869,721</u>	<u>1,120,178,557</u>
Balance - end of year	<u>\$ 1,353,145,653</u>	<u>\$ 1,148,869,721</u>

See accompanying independent auditor's report.